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[redacted]

a. It will be observed that column (5) can not be derived by dividing (1) by (3). The ruble GNP series (3) is constructed by moving the base year (1951) ruble magnitude by an index of weighted sector of origin time series. The dollar series (4) results from the application of the overall ruble-dollar ratio of 11.1 rubles to the dollar to the figures in column (3).

The ruble defense figures (1) are moved by applying an index of deflated defense expenditures to the base year (1951) ruble estimate. The dollar column (2) is obtained by applying a defense expenditure conversion ratio of 6.3 rubles per dollar.

The ruble percentage relationship of defense outlays to GNP (5) is derived by moving the base year (1951) division of GNP by uses by respective indexes. Therefore, the movement of (3) and (1) by differing indexes explains the difference between (5) computed in the above manner and by dividing (1) and (3).

b. The comparison in ruble terms indicates the relative effort expended on defense, given the economy's available resources and use of these among competing alternatives. The Soviet planning authorities restrict consumption below the level which would occur in a free society by both limiting the amount of resources available for production of consumer goods and charging prices high enough to clear the market of available goods at the existing level of consumer income. The application of this policy has the effect of making consumption appear as a higher proportion of output, and hence defense as a lower percentage of GNP than would be the case if the market economy technique of no control over resources allocation and financing of government defense outlays principally by means of income taxation were followed.

c. Strictly speaking the comparison in terms of dollars indicates the relative effect given Soviet resources allocation and [illegible] The purpose served by this ratio is not one of substitution, a superior [illegible] the ruble comparison (5) but of merely indicating the direction the comparison would take if some of the peculiarities of Soviet resource [illegible] were removed.

d. This column represents a dollar comparison of USSR and US defense outlays (column (2) divided by deflated US series). It does not purport to indicate comparative levels of military effectiveness, since a dollar of military expenditure would not be distributed in the same way in both countries.

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USSR, State Budget Expenditures and Military Expenditures for Defense

	Defense Expenditures (billion rubles)	Total Expenditures (billion rubles)	Defense as a percentage of total
1948	66.3	370.9	18
1949	79.2	418.3	19
1950	88.9	438.7	20
1951	93.4	443.0	21
1952	108.6	460.2	23.6
1953	110.2	530.5 (487.3)*	21 (22.6)
1954	100.3	562.8 (517.3)*	18 (19.4)
1955	112.1	563.8 (541.0)*	20 (21.3)

* Figures in parentheses of Total Expenditures designate total published expenditures less unreal accounting entries which have been present in budgets since 1953. These unreal entries represent cost to the budget of government measures which have reduced taxes on consumer goods, and equal the value of the tax reduction.

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USSR Defense Expenditures and GNP, 1948-1955
(billions of 1951 Rubles and Dollars)

Year	Defense Expenditures		GNP		Defense as % of GNP a/		Defense Expenditures per Capita as % of USA a/
	Rubles (1)	Dollars (2)	Rubles (3)	Dollars (4)	Rubles b/ (5)	Dollars b/ (6)	(7)
1948	78.0	12.4	821	74	10.4	19.2	46
1949	82.9	13.2	907	82	10.4	19.2	48
1950	91.6	14.5	1,005	91	10.4	19.2	70
1951	106.5	16.9	1,075	97	10.7	19.8	85
1952	120.0	19.0	1,175	106	10.8	19.9	89
1953	123.8	19.7	1,214	109	10.3	19.0	97
1954	129.6	19.5	1,293	116	9.8	18.1	43
1955	138.5	22.0	1,379	126	9.7	17.9	93

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